

INFORMATION REPORT

CONFIDENTIAL

COUNTRY Austria/USSR

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SUBJECT Clandestine Dealings with USIA Merchandise

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1. A certain Alfons Weber, formerly a Hungarian national, now an Austrian citizen, is a partner in the small Viennese trading firm, Egon von Tersch & Co. Weber is on very friendly personal terms with Dikhomirov and is acting as commercial agent for the Russians. On 5 December 1947, Weber arranged a meeting between M. Karabotian and a representative of the Gruenbacher Steinkohlenwerke A.G., a coal mine in Gruenbach am Schneeberg, Lower Austria. This representative told Karabotian that the Gruenbacher Steinkohlenwerke A.G. is selling coal to the Neusiedler A. G. fuer Papierfabrikation on a barter agreement and receiving one ton of rag paper for 28 tons of coal. The rag paper can easily be sold to foreign buyers at \$350 per ton, which means they are receiving \$12.50 per ton of coal, instead of the market price of \$7.00 per ton. One of the conditions of this transaction is that no Austrian authority is to be notified of these dealings. With USIA aid and protection, the paper will be loaded on Russian Army trucks and delivered either to the Austro-Hungarian or the Austro-Czechoslovak border, whichever may be requested by foreign buyers. The foreign exchange so received represents a profit for USIA.

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2. The second transaction which Karabotian is just concluding is the sale of 20 tons of aluminum powder to Poland. Karabotian is purchasing the merchandise from the firm of Benda - Lutz in Traismauer, Lower Austria, at 12 schillings a kilogram. Since there was no possibility of arranging shipment of the merchandise to Poland, Karabotian made arrangements with USIA whereby USIA will take care of the transportation and bill the merchandise as its own and receive the sum of \$25,000 from the Poles for the first delivery. USIA will keep the money and compensate Karabotian with an equivalent value in newsprint, produced by an Austrian paper factory and delivered to either the Austro-Hungarian border or the Austro-Czechoslovak border by Russian Army trucks. USIA is to guarantee that the Austrian authorities will not hear of this transaction, and that the paper will be permitted to cross the border without an export license or any other formality. This transaction was arranged in the Chemical Department of USIA. Weber introduced Karabotian to an Austrian employee Wolfgang, Dr. Werner, and to the head of the department, Shevchenko a Russian.

This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist of the United States.

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3. In all of these transactions, [] Russian USIA employees and Weber receive a percentage; consequently, they welcome suggestions for new transactions of a similar nature. [] for a sufficient sum in free dollars, any amount of merchandise could be removed from Austria through such transactions without the knowledge of the Austrian Government or of the western occupation authorities.

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